

**Division of Family Assistance  
Department of Health and Human Services  
Status Report on Corrective Actions to Address Audit Findings  
July 1, 2016**

**Title of Audit and Date of Audit Report**

State of New Hampshire

Division of Family Assistance

*Electronic Benefits Transfer Cards: Performance Audit Report (September 2013)*

- 1. Observation:** The Legislature may wish to consider clearly outlining the goals of cash assistance in statute and the DFA should adopt administrative rules for restrictions on the use of cash assistance and align them with State law.

**Auditee Corrective Action Plan:** *The Department adopts rules for the purpose of aligning with federal and state laws and will do so when the Legislature outlines goals.*

**Status Report as of June 18, 2015:**

In the 2014 legislative session, three EBT bills were offered.

- HB 1213 offered to prohibit the purchase of alcohol or tobacco products with electronic benefit transfer (EBT) cards. House Health, Human Services, and Elderly Affairs Committee sent the bill to a study subcommittee.
- HB 1299 offered to establish a committee to study the cost and feasibility of requiring photo identification on EBT cards. House Health, Human Services, and Elderly Affairs Committee sent the bill to the same study subcommittee as above.
- SB 203 offered to expand restrictions on the use of EBT cards and would also direct DHHS to report on the adoption and implementation of restrictions on the use of EBT cards. Specifically, SB203 added prohibited sites to existing law to include business establishments that primarily engage in the practice of body piercing, branding or tattooing. The bill also expanded law to including prohibitions on specific individual purchases regardless of site, to include tobacco products, alcoholic beverages, lottery tickets, firearms, and adult entertainment. SB203 was introduced in Senate Finance, where it passed. The bill's sponsor, Senator Forrester, introduced the bill to the House Health, Human Services, and Elderly Affairs Committee, which sent the bill to the same study subcommittee assigned to review both House bills on EBT.

In 2014 the House EBT Study Subcommittee concluded recommendations and reported these to the House Health, Human Services and Elderly Affairs Committee. These recommendations included adding to the list of prohibited locations tattoo parlors, body piercing shops smoke shops and marijuana dispensaries (excluding those authorized under RSA 126, *therapeutic*). Prohibitions include denying use of EBT at point of sale device and ATM. The Subcommittee further recommended that prohibition not be extended to individual products and that enforcement be by having the EBT contractor electronically block EBT transactions by location. Lastly, the Subcommittee recommended enhancing

education of clients and retailers regarding the use of EBT cards with the goal of improving compliance with rules.

In the 2015 legislative session, two EBT bills were offered.

- HB 219 followed the recommendations of the House Study Committee, restricting EBT cash purchases by location, not by product, citing cost and unenforceability of product bans. HB 219 added restrictions on locations that primarily engaged in body piercing, branding, or tattooing; cigar stores and stands, pipe stores, smoke shops and tobacco shops; and marijuana dispensaries, excluding those authorized under RSA 126, *therapeutic*. The bill also required the department to establish an education program relative to the use of EBT cards and required the department to report on the effectiveness of electronic blocking of EBT cards at prohibited locations. HB 219 requested a fiscal note and the department responded that, while indeterminable, costs would be minimal due to the automated nature of enforcement. No fiscal appropriation accompanied this bill. This bill was voted *ought to pass* out of committee and was passed on the full floor.
- SB 169 repeated the language of the Senate Bill 203 in 2014. The department testified as to the fiscal issues associated with enforcing restrictions on specific products, such as a cash client being reported for attempting to purchase a pack of cigarettes at a convenience store. No fiscal note was requested of the department. No fiscal appropriation accompanied this bill. However, DHHS did testify for the record that without an appropriation, the Department would necessarily place enforcement the provisions of the bill as a last priority, and instead continue expending limited investigation resources on the current 13 month backlog of higher dollar return cases. This bill was voted *ought to legislate* and was passed on the full Senate floor.
- Crossover: HB 219 was introduced to Senate Health and Human Services Committee. The Committee elected to introduce an amendment that added restrictions by product and eliminated marijuana dispensaries, cigar stores and smoke shops, thus making the House bill look exactly like the Senate bill. This passed out of committee.
- Crossover: SB 169 was introduced to House Health, Human Services and Elderly Affairs Committee. The House Committee elected to introduce an amendment to the Senate bill that eliminated restrictions by product and essentially made the Senate bill look like the original House bill. This passed Committee.
- Committee of Conference: On June 17, 2015, House and Senate conferees met and were unable to concur on either one of the bills, or a compromise between them. Their decision was to go back to their respective legislative bodies amending each bill to reflect the original language, so the Senate bill would look like the original Senate bill and the House bill would look like the House bill. Each body would need to pass their own bill's language change on the full floor. Then the bills would crossover again, with the conferees on both sides suggesting that each House pass the other's version on the full floor in order to ultimately send both bills to the Governor for signature or veto. As of this writing, both bills have passed both houses.

DHHS will adopt rules for the purpose of aligning with federal and state laws as these are developed. DHHS continues to note that to date no proposed bill to limit EBT use has been accompanied by an appropriation to pay for implementation costs.

**Status Report as of February 25, 2016: Completed.** This concludes reporting on this audit element.

On September 18, 2015, HB 219 became effective, expanding restrictions to locations that primarily sell off-premises alcohol; locations primarily engaged in body piercing, branding, or tattooing; cigar stores and stands, pipe stores, smoke shops and tobacco shops; and marijuana dispensaries other than those defined in RSA 127-X:1.

HB 219 required the Department to report to Health and Human Services Oversight on the use and effectiveness of electronically blocking the use of EBT cards at prohibited locations. In terms of cost, HB 219 was implemented at no cost because the EBT vendor is able to remotely block Automated Teller Machines (ATM's) and Point of Sale (POS) devices (such as cash registers) using Merchant Category Codes. The vendor can still, however, track how many attempts were made to access benefits in restricted sites despite that these transactions are denied. In terms of Point of Sale devices, the implementation period of September 18 through December 18, 2015 saw a total of 72,159 EBT transactions at POS terminals across the state. Of these, zero transactions were attempted at a POS in a restricted location. Follow up review with the vendor confirmed that this datum is correct.

In terms of ATM's, the three month implementation period saw 43,760 total EBT transactions. Of these, 28 were attempted at 5 different restricted locations. This equates to point zero (0.06) percent. Thus, data indicated that EBT cards are used almost exclusively in ways that are lawful.

For this legislative session, no bills have been introduced further outlining goals of cash assistance.

- 2. Observation:** The Legislature may wish to consider whether there should be further restrictions on the use of cash assistance, and whether restrictions should be placed on all cash assistance, not just EBT.

**Auditee Corrective Action Plan:** *The Department adopts rules for the purpose of aligning with federal and state laws and will do so when the Legislature outlines goals.*

**Status Report as of June 18, 2015:** Same as # 1 above.

**Status Report as of February 25, 2016: Completed.** Same as #1 above. This concludes reporting on this element.

- 3. Observation:** Develop a process to ensure cash assistance recipients are informed of the intended use, and restrictions on the use, of cash assistance and potential penalties for violations; and consider requiring recipients to sign an acknowledgement. Ensure retailers are informed of restrictions and penalties.

**Auditee Corrective Action Plan:** *As intended uses and restrictions are defined, we will create client trainings and signature blocks as appropriate and vendors will be informed of legislated restrictions.*

**Status Report as of June 30, 2014:** Processes have been developed to inform recipients and retailers of EBT cash restrictions already in law. Please see attachments 1 through 7.

- A poster has been developed and placed in district office waiting areas and interview rooms reminding that cash benefits "are only for the necessities of life." (Attachment 1)
- When clients are determined eligible for assistance, a Notice of Decision is sent to them. The notice describes state restrictions on EBT card use and warns of a penalty for improper use. (Attachment 2)
- Clients are sent their EBT cards through the mail. An insert is added to the card describing state restrictions on EBT card use and warns of a penalty for improper use. (Attachment 3)
- A poster has been designed for stores to voluntarily post when the store has been identified as a prohibited location for EBT card use. It warns clients that they may not use their EBT cash benefits at this location. (Attachment 4)
- The DHHS website has added a warning under Benefits Disbursement about prohibited uses of EBT cards and warns of a penalty for use in prohibited locations. (Attachment 5)
- Clients applying for benefits are now required to initial on the application that they understand their responsibilities relative to EBT cash restrictions. (Attachment 6)
- The website for EBT cardholders displays to cardholders in the "News" section information explaining prohibited cash access locations. More than 30,000 New Hampshire EBT cardholders access their account information via this self-services web portal. (Attachment 7)

**Status Report as of December 31, 2014: Completed.** This concludes reporting on this audit element.

- 4. Observation:** Conduct a formal assessment to determine which reports and processes are most relevant to mitigate program risk. Ensure the EBT card monitoring processes are completed timely.

**Auditee Corrective Action Plan:** *Informal risk assessments have been done to ensure we prioritize monitoring the most critical reports despite a lack of resources. However, as a correction, we will put the priorities in writing. We will continue to monitor EBT processes as timely as resources permit.*

**Status Report as of June 18, 2014:** The original corrective action for this observation was to assign the task of updating EBT documentation to a policy writer, committing five hours per week to the project. Once documentation was complete, EBT tasks would be ranked according to priorities. The project would be monitored monthly via the DFA monthly project log.

Lack of resources, however, continue to delay implementation of this plan. A new EBT Administrator has been hired and is making strides learning the job. Meanwhile, the Policy Development Unit has customarily been staffed with two full-time Program Specialist IIs, two part-time Program Specialist I's and one Supervisor. At present, one of the two Program Specialist II positions is unfunded and unavailable to fill, while the other is vacant

effective May 30, 2015. Note further that other hiring restrictions have left the EBT Administrator's supervisor position vacant, so oversight has fallen to the DFA Director and no systemic back up for EBT is available.

Work on this initiative will resume when the new EBT Administrator has sufficiently mastered core functions to take on this initiative again. Without full staffing of our Policy Unit or our Support Services Unit, documentation will necessarily be an adjunct task as time permits.

#### **Status Report as of June 23, 2016**

A part time EBT Specialist began working for the Department on March 4, 2016. He is now trained in EBT operations, and has become an asset to the unit. The hiring of this individual has allowed the EBT Administrator to pursue development of the New Hampshire specific EBT reports manual. This is an extensive project as hundreds of reports come out of the EBT system on a daily basis. Not all reports are viewed on a daily, or even monthly basis, however, as part of the reports manual, the EBT Administrator is including information on what information is contained in all reports and when that information is used. The structure of the manual has been determined, and work on this manual continues.

- 5. Observation:** Evaluate additional benefits that could be administered via EBT or EFT.

**Auditee Corrective Action Plan:** *The Division of Family Assistance has almost entirely moved from paper checks to electronic payments, and those remaining paper checks are awaiting system changes to complete. The Department will explore other options to reduce paper checks.*

**Status Report as of June 30, 2014:** The Division of Family Assistance has completed the move from paper checks to **electronic** payments for food stamps and cash benefits. Reimbursements to TANF work program clients for mileage and other work-related expenses continues to be by check, although the request for systems changes has been made and waits in queue. The Hunger-Free Kids Act of 2010 requires WIC to move to EBT by October, 2020; DHHS planning is underway. Similarly, the Division of Child Support has already begun moving to completely electronic payments.

**Status Report as of December 31, 2014: Completed.** This concludes our reporting on this audit observation.

- 6. Observation:** Improve management efforts to ensure procedures are readily accessible, and develop methods for consistently communicating procedures to staff.

**Auditee Corrective Action Plan:** *Procedures, defined as worker activities, are not incorporated into policy manuals. These are compiled in Training Manuals and worker Field Guides. Sometimes, in order to meet rapid time frames, DCS sends procedural instructions to staff in e-mails. If it is not a reminder, but a change in procedures, these changes are queued as later edits to training manuals and field guides when resources can be allocated. We concur that the DFA does need to update specifically EBT procedures in training manuals and field guides. Additionally, the duties of the EBT Administrator will be written. DCS will be developing an EBT Quick Reference Guide for District Office staff.*

*DCS Regional Administrators will take on the role of monthly checks of district office EBT cards to ensure compliance with proper procedures.*

**Status Report as of December 31, 2014:** See response to #4 above.

**Status Report as of February 25, 2016:**

The EBT Administrator had identified several areas where EBT policy needs to be updated or included in DFA's policy manuals. With the addition of the EBT Specialist, work can begin on these projects. Also, the EBT Administrator will begin working on an EBT user manual that will be released to field staff and can be updated as needed. This project will coincide with the creation of the reports manual and progress on these two projects will be monitored monthly.

**Status Report as of June 23, 2016**

Since the hiring of the EBT Specialist, 4 EBT related policies have been requested to be included and updated in the policy manuals. These include:

- The aging process for both Food Stamps and Cash;
- EBT Card status and replacement;
- EBT Cards returned to DMU; and
- Benefit replacement due to an EBT transaction error.

One policy regarding the federally required separation of duties between support staff and eligibility workers has been completed and is now included in policy. Work has begun on the EBT User Manual. This manual will include procedures for support staff, eligibility workers, and supervisors. 5 EBT related policies have been requested to be put in policy, one of which has been completed. Work continues on the EBT user manual.

- 7. Observation:** Have the EBT vendor mail cards directly to recipients and develop alternate processes for confirming cards are received by district offices.

**Auditee Corrective Action Plan:** *In terms of card delivery, having cards come to the State Office allows us to pull cards issued in error. Also, for those households deemed homeless and whose cards are delivered via the district offices, we in NH take security very seriously. We deem it a security essential that there be a daily log of card delivery to the District Office, and that the EBT administrator be included in the process as a quality control measure for both card issuance and also a contractor performance measure, to ensure cards are being sent as they should.*

*Additionally, DCS will be developing an EBT Quick Reference Guide for District Office staff. DCS Regional Administrators will take on the role of monthly checks of district office EBT cards to ensure compliance with proper procedures.*

*The Department will continuously review for procedural modifications from the perspective of balancing client service, fraud, accuracy, efficiency, and cost.*

**Status Report as of June 30, 2014:** In April of 2013 the EBT Administrator went to each district office, where she conducted an EBT training to all Division of Client Services (DCS) users of the EBT system (EDGE). EBT training material was updated. In the Summer of 2013 and again in March of 2014, updates to the EBT Quick Answer Guide cheat sheet were distributed (Attachment 8). DCS regional administrators have monitored proper destruction processes for EBT cards in all district offices. And the EBT Administrator includes regional administrators on any issues that arise from her data monitoring with specific district offices.

As we wrote in our response to the audit observation, the business case for having cards come to State Office outweighs any benefits associated with direct mail to clients. As such, this concludes reporting on this audit element.

**Status Report as of December 31, 2014: Completed.** This concludes reporting on this audit observation.

8. **Observation:** Review the relevance of the MOU with Vermont and develop and document the disaster recovery process.

**Auditee Corrective Action Plan:** *In January 2013 the DFA had already begun an ongoing project to re-examine our Food Stamp Disaster Plan.*

**Status Report as of June 18, 2015:** Partially Completed. The central issue related to this Observation has to do with back-up planning for card production in the event that a disaster disrupts normal card production. Toward this end, NH and VT have worked in partnership to develop contingency planning, and have drafted an MOU that is not "maintained" per se, as stated in the audit, but rather stands ready to be signed in the event of emergency need.

In terms of our disaster card process, New Hampshire contracts for card production as part of the EBT contract. The primary back up plan for emergency card production in the event of disruption of normal card production is also contracted. Meanwhile, as a third-tier fail-safe, New Hampshire retains all card production equipment from when the state produced its own cards. Although the draft MOU with VT allows for NH to print cards using Vermont facilities in the event of an emergency, this is deemed prudent simply to keep the remote contingency option open, but not to insinuate that emergency card production in Vermont is an element of New Hampshire's formal disaster plan. New Hampshire's full Disaster recovery process is documented in our contract with the EBT vendor. Rather, the draft MOU serves more as an accommodation to the State of Vermont. While Vermont produces their own EBT cards, their tier one back up plan--which was successfully implemented twice already in 2009 and 2011 (once during a hurricane disaster that caused massive flooding to their state facilities)--involved their sending their card production data files to New Hampshire along with staff to operate New Hampshire's card production equipment. New Hampshire does now maintain a stock of Vermont cards. Inventory processes for card security are in place. Again, the value of a draft MOU is primarily as a courtesy to our sister state of Vermont, with some small contingency benefit to NH

In New Hampshire, the overall plan for disaster benefits--including but not limited to EBT--is the Food Stamp Disaster Plan. The Food Stamp Disaster plan is reviewed annually by USDA FNS and has met all Federal requirements annually for the last decade.

A part-time position has been filled and been given as a first priority the project for updating the Food Stamp Disaster Plan. Base concepts have been outlined. Potential funding for disaster equipment has been identified, though not finalized. Meetings with Information Technology are being scheduled to advise the technology within process development. The Food Stamp Disaster Plan remains a highest priority for the DFA Director.

#### **Status Report as of February 25, 2016:**

In terms of the MOU with Vermont to develop and document the disaster recovery process, the Department has at this time made the technology choice to no longer support a card production data base and hence will no longer be producing cards for either New Hampshire or Vermont. This is an opportunity we may revisit in the future.

In terms of the Food Stamp Disaster Plan, the Information Technology component of the D-SNAP plan concerning application management and reporting is not functional at this point. A manual system remains to develop. The Division of Family Assistance (DFA) is working with the Department of Information Technology (DoIT) and the NHDHHS Information Security office, along with the DFA EBT administrator, Division of Client Services direct services administrator and others, to develop an automation plan. To that end, we are in the process of consulting with the national EBT Disaster Services Work Group and their contractor who is developing an automated D-SNAP system with the goal of creating a standardized automation approach to be made available to all states that meets all FNS requirements for eligibility determination and reporting.

In the event development of the national model is not timely, DFA will coordinate the development of a New Hampshire-specific D-SNAP automation approach that will require both software development and hardware procurement.

#### **Status Report as of June 21, 2016:**

Work continues on the D-SNAP automation project. A decision has been made to order vault disaster EBT Cards from the vendor, and an estimate has been requested. This decision has framed the required systems process that is being requested from DoIT. At this time, we are waiting on a response from DoIT on the feasibility of this systems request. If it is determined that DoIT cannot take on this project, a MOU with other states may be considered, as well as possibly requesting proposals from the private sector.

- 9. Observation:** Improve management of New Heights and Edge user access and permissions. Establish and document user access controls in policy and procedure.

**Auditee Corrective Action Plan:** *While many security measures mentioned here are in place, we will work to ensure they are more consistently applied and resources allocated to ensure that is accomplished. In fact, a Security Workgroup has already been convened.*

**Status Report as of July 9, 2014:** Controls have been established to ensure segregation of duties for an end user requesting security access to both New HEIGHTS (DHHS' eligibility system) and Edge (what is this?). The controls are monitored when security reviews are

done and at the time a new user is given access to New HEIGHTS, to ensure that an individual does not have access to confirm a case *in* New HEIGHTS and PIN a card in Edge. When access levels are changed in New HEIGHTS they are also changed in Edge.

- If an New HEIGHTS user has access to confirm a case, they have Inquiry access in Edge.
- New HEIGHTS Users who do not have confirmation rights, and are called "Client Reg Workers" in New HEIGHTS are given access to PIN a card in Edge. These type of Users in Edge are called "Card Specialists."

•  
**Status Report as of December 31, 2014: Completed.** This concludes reporting on this audit observation.

**10. Observation:** Ensure re-opened cash assistance cases are not linked to outdated information.

**Auditee Corrective Action Plan:** *This is in the queue of requested changes to New Heights and also will be addressed through eligibility staff training.*

**Status Report as of June 30, 2014:** When a case is re-opened the system has a driver flow that brings the worker through each screen that had information at the time of the case closing and displays the prior information. As part of the new application/interview the worker will review and update any information to ensure that the case is being re-opened based on the new circumstances and relevant information.

**Status Report as of December 31, 2014: Completed.** This concludes reporting on this audit observation.

**Contact Person:**

Terry R. Smith, Director  
Division of Family Assistance  
Department of Health and Human Services  
603 271-9281  
129 Pleasant Street, Brown Building  
Concord, NH 03301

**Estimated completion date: January 2018**